

Federal Tax Deposit (FTD) - Privacy Impact Assessment

PIA Approval Date – Apr. 8, 2009

System Overview:

This system processes Federal Tax Deposit payments and coupons (Federal Tax Deposit Coupons, Form 8109) made through commercial banks to the Internal Revenue Service (IRS) Service Centers. FTD then passes them to the IRS Computing Center to the Business Master File (BMF) for posting to taxpayer accounts.

Systems of Records Notice (SORN):

- IRS 34.037 –IRS Audit Trail and Security Records
- IRS 24.046 –CADE Business Master File

Data in the System

1. Describe the information (data elements and fields) available in the system in the following categories:

- A. Taxpayer – Taxpayer entity data, such as business name business address, business telephone number, EIN, type of tax, tax period, date of payment, amount of deposit, and check number, are all contained on the FTD application.

The above data is used to create the FTD coupon (Form 8109). Taxpayers are required to check one or more of the following returns below listed on the FTD coupon to indicate which return a payment is being paid to. Each listed return is assigned a computer generated code (tax class). During the scanning process, FTD converts the checked boxes of the associated return into the computer generated tax class, and in turn feeds that data to the Business MasterFile for further processing.

- 944, Employer's Annual Federal Tax Return
- 941, Employer's Quarterly Federal Tax Returns
- 1120, U.S. Corporation Income Tax Return
- 720, Amended Quarterly Federal Excise Tax Return
- 943, Employee Annual Federal Tax Return for Agricultural Employees,
- CT-1, Employer's Annual Railroad Retirement and Unemployment Return
- 940, Employer's Annual Federal Unemployment (FUTA) Tax Return
- 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons
- 990T, Exempt Organization Business Income Tax Return
- 990PF, Returns of Organizations Exempt From Income Tax
- 945, Annual Return of Withheld Federal Income Tax

- B. Audit Trail Information – All FTD auditing is performed by the UNISYS Mainframe (MITS-23) EOps. Auditable events are documented in Law Enforcement Manual (LEM) 10.8.3.

- **Audit Event(s) Captured**

- Logon to System
- Logoff System
- Change of Password
- Switching accounts or Running privileged actions from another account, e.g. SU or RUNAS
- Creation or modification of superuser groups

- All system administrator (SA) actions, while logged on as an SA
- Subset of administrator actions, while logged on in the user mode
- Subset of administrator actions, while logged on in the Security administrator role
- Clearing of the audit log file
- Startup and shut down of audit functions
- Use of identification and authentication mechanisms
- Change of file or user permissions or privileges (suid/guid, chown, su, etc.)
- Remote access outside of the corporate network communication channels (e.g., modems, dedicated VPN)
- Batch file changes made to an application or database
- Application critical record changes
- Changes to database or application records, where the application has been bypassed to produce the change
- All system and data interactions concerning taxpayer data

2. Describe/identify which data elements are obtained from files, databases, individuals, or any other sources.

A. IRS

- Business Master file (BMF)
 - Service Center entity update files are sent from FTD to the Business Masterfile. These update files contain updates to taxpayer entity data.
- Integrated Submission and Remittance Processing System (ISRP)
 - The ISR-IN-File is sent to FTD which contains corrections, verification records or updated records for taxpayer entity information and case load information.
- Service Center Recognition/Image Processing System (SCRIPS)
 - Scanned business taxpayer data records which contain FRB code, deposit date and actual amount of deposit are sent to FTD.
- Federal Reserve Bank (FRB) via the Bulkdata Electronic File Transfer System (BEFT)
 - FRB data is sent and received through the BEFT application. Verification records which contain FRB code, deposit date and actual amount of deposit and FRB verification count are sent to and from FTD.
- End of Day Processing (EOD)
 - FTD receives an EOD FTD re-order update file that is used for informing the vendor in order to print more coupons. This information contains business taxpayer entity data. FTD sends the FTD re-order request file which contains the business taxpayer entity data.
- EIN Research and Assignment System (ERA via IDRS)
 - FTD supplemental mail out file which contains business taxpayer entity data.
- National Account Profile (NAP)
 - Information to verify the business taxpayer filing requirements is sent from FTD. This data is used to validate entity information on the FTD coupons.
- Notice Review Processing (NRP)
 - FTD data only includes the BMF data; the references to IMF data are only included to accurately describe Notices. As part of Notices (NOTICES) the NRP system includes:
 1. Notice Review Processing System - Business Master File (NRPS BMF). Notice Review Processing System - Business Master File

(NRPS BMF) matches notices with BMF unpostable and resequencing transactions.

2. Notice Review Processing System - Individual Master File (NRPS IMF). Notice Review Processing System - Business Master File (NRPS BMF) matches notices with BMF unpostable and resequencing transactions.
 3. Notice Review Processing System - Unisys (NRPS UNISYS). Notice Review Processing System - Business Master File (NRPS BMF) matches notices with BMF unpostable and resequencing transactions.
 4. Notice Review Processing System - Business Master File IAP (NRPS BMF IAP). Notice Review Processing System - Business Master File (NRPS BMF) matches notices with BMF unpostable and resequencing transactions.
 5. Notice Review Processing System - Individual Master File IAP (NRPS IMF IAP). Notice Review Processing System - Business Master File (NRPS BMF) matches notices with BMF unpostable and resequencing transactions.
- Taxpayer Delinquent Account (TDA)
 - FTD transaction records which contain service center codes, FRB codes, bank account numbers, business EINs, tax period, name control, tax class code, payment dates and payment amounts, deposit dates, microfilm serial numbers are sent from FTD to TDA.
 - Taxpayer Information File (TIF) as part of Daily Taxpayer Information File Update (DLY).
 - IRS database containing taxpayer information. Area of the IRS database that contains information used to validate FTD payments and mailing address information used to request FTD payment coupons. It contains the same information that is used with the NAP; however the TIF is more recent.

B. Taxpayer – The FTD system collects the following business tax related data from the FTD coupon: EIN and business address information.

C. Other Third Party Sources – The Federal Reserve Banks supply FTD with verification data. The FRB's verification file includes the commercial banks' routing numbers, Advice-of-Credit (AOC) Transmittal Numbers, AOC Total Money Amounts, and deposit dates of the FTD coupons.

3. Is each data item required for the business purpose of the system? Explain.

Yes. All data processed, collected, and stored on the FTD system is relevant and necessary. The system is responsible for receiving, validating, and processing federal tax deposits; supporting IRS employees who need access to the data; and generating statistical and summary report data that is used by IRS management to review programs and make decisions.

4. How will each data item be verified for accuracy, timeliness, and completeness?

This data is processed through a series of validations. Data such as tax period and tax classes, as they relate to the aforementioned forms.

If there are missing items once this data has been processed through all of the validations, the FTD Unit along with other units in the Service Center (Accounting, etc.) will take the necessary steps to research and complete the needed information, including contacting the taxpayer, if necessary. FTD data is processed by tax period.

5. Is there another source for the data? Explain how that source is or is not used.

No. There is not another source for the data.

6. Generally, how will data be retrieved by the user?

Authorized employees can retrieve and view taxpayer data such as the EIN using the FTD command codes.

7. Is the data retrievable by a personal identifier such as name, SSN, or other unique identifier?

Yes. The data is retrievable by a personal identifier such as: business name business address, business telephone number, EIN, type of tax, tax period, date of payment, amount of deposit, and check number. Service Center personnel and Customer Service Representatives must all be able to view taxpayer data. All requests for data, and responses, are recorded in systemic audit trails that are provided for management review and due process. Systemic audit trails are not the same formal auditing process implemented by MITS 23 as discussed in question 1C. The systemic audit trails are general records capturing all of the requests for data and the associated responses given.

Access to the Data

8. Who will have access to the data in the system (Users, Managers, System Administrators, Developers, Others)?

Role: IRS FTD Unit Personnel

Permission: FTD Unit personnel correct errors identified by the FTD Systems. As an aid to correcting the problem, the FTD unit personnel, (including management) accesses the FTD data using several command codes. There are several different areas that view any number of FTD reports that contain various taxpayer data, including ISRP, SCRIPS, RACS, etc.

Role: IRS FTD Unit Managers

Permission: Managers of the above types of employees have the same level of access to data as their employees. Managers can also access FTD report data.

Role: System Administrators

Permission: System Administrators have access to FTD to perform scheduled maintenance and other regular administrator duties. System Administrators can modify the operating system parameters on the server.

Role: Database Administrators

Permission: Database Administrators have access to FTD to perform regular database maintenance duties. Read, write, and delete information within application database.

Note: Contractors do not have access to the application.

9. How is access to the data by a user determined and by whom?

Access is determined by functional business needs and is authorized by the business unit.

On-Line 5081 (OL5081) is used to authorize access for the System Administrators and Database Administrators. All IRS personnel receive annual training on the "Taxpayer Browsing Protection Act of 1997 Unauthorized Access (UNAX) and certify completion of annual UNAX awareness briefing by signature and supervisory acknowledgement.

10. Do other IRS systems provide, receive, or share data in the system? If YES, list the system(s) and describe which data is shared.

Yes.

- **SCRIPS**
 - Scanned business taxpayer data records which contain FRB code, deposit date and actual amount of deposit are sent to FTD.
- **ISRP**
 - The ISR-IN-File is sent to FTD which contains corrections, verification records or updated records for taxpayer entity information and case load information.
- **Business Masterfile**
 - Service Center entity update files are sent from FTD to the Business Masterfile. These update files contain updates to taxpayer entity data.
- **TDA**
 - FTD transaction records which contain service center codes, FRB codes, bank account numbers, business EINs, tax period, name control, tax class code, payment dates and payment amounts, deposit dates, microfilm serial numbers are sent from FTD to TDA.
- **BEFT**
 - FRB data is sent and received through the BEFT application. Verification records which contain FRB code, deposit date and actual amount of deposit and FRB verification count are sent to FTD.
- **NAP**
 - Information to verify the business taxpayer filing requirements is sent from FTD. This data is used to validate entity information on the FTD coupons.
- **NRP**
 - FTD data only includes the BMF data; the references to IMF data are only included to accurately describe Notices. As part of Notices (NOTICES) the NRP system includes:
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- DLY
 - Business taxpayer entity data is sent to DLY. DLY analyzes and reformats transactions from the service center pipeline and master files to update the Taxpayer Information File Data Store (TIF DS) data base with the latest transactions and status information.
- EOD
 - FTD receives an EOD FTD re-order update file that is used for informing the vendor in order to print more coupons. This information contains business taxpayer entity data. FTD sends the FTD re-order request file which contains the business taxpayer entity data.
- ERA
 - FTD supplemental mail out file which contains business taxpayer entity data.

11. Have the IRS systems described in Item 10 received an approved Security Certification and Privacy Impact Assessment?

SCRIPS

- Certification and Accreditation/Authority to Operate received on June 19, 2007
- Privacy Impact Assessment (PIA) – February 13, 2007.

ISRP

- Certification and Accreditation/Authority to Operate received on August 9, 2007
- Privacy Impact Assessment (PIA) – September 14, 2006.

Business Masterfile

- Certification and Accreditation/Authority to Operate received on June 14, 2007
- Privacy Impact Assessment (PIA) – April 10, 2007.

TDA

- Certification and Accreditation/Authority to Operate received on May 18, 2006 as part of IDRS
- Privacy Impact Assessment (PIA) – March 23, 2006.

BEFT

- Certification and Accreditation/Authority to Operate received on June 7, 2006
- Privacy Impact Assessment (PIA) – April 26, 2006.

NAP

- Certification and Accreditation/Authority to Operate received on June 7, 2006
- Privacy Impact Assessment (PIA) – May 3, 2006.

DLY

- Certification and Accreditation/Authority to Operate received on May 18, 2006 as part of IDRS
- Privacy Impact Assessment (PIA) – March 23, 2006.

EOD

- Certification and Accreditation/Authority to Operate received on May 18, 2006 as part of IDRS

- Privacy Impact Assessment (PIA) – March 23, 2006.

ERA

- Certification and Accreditation/Authority to Operate received on May 18, 2006 as part of IDRS
- Privacy Impact Assessment (PIA) – March 23, 2006.

NRP

- Certification and Accreditation/Authority to Operate received on June 21, 2007
- Privacy Impact Assessment (PIA) – June 7, 2007.

12. Will other agencies provide, receive, or share data in any form with this system?

Yes. The Federal Reserve Bank of St. Louis provides data as described in Q2F above.

Administrative Controls of Data

13. What are the procedures for eliminating the data at the end of the retention period?

Data retention procedures can be found in IRM 1.5.35.1 Records Control Schedule for Tax Administration Electronic Systems. Item Number (17):

- A. Federal Tax Deposits (FTD) – FTD processes Federal Tax Deposit payments made through commercial banks and passes them to MCC for posting to the business master file. The database contains taxpayer payment information.
 - **Delete** when 1 year old or when no longer needed for administrative, legal, audit or other operational purposes whichever is sooner.
- B. Input Records – These records include taxpayer payment information.
 - **Delete** when 1 year old or when no longer needed for administrative, legal, audit or other operational purposes whichever is sooner.
- C. Output Records – These records include electronic transfer of data to the Master File tape file transfer with collection, NRPS, IDRS plus system backups, management information reports, ad hoc queries, audit trail, or equivalent documentation in electronic or hard copy formats.
 - **Delete** when 1 year old or when no longer needed for administrative, legal, audit or other operational purposes whichever is sooner.

14. Will this system use technology in a new way?

No. This system does not use technology in a new way.

15. Will this system be used to identify or locate individuals or groups? If so, describe the business purpose for this capability.

No. This system is not used to identify or locate individuals or groups.

16. Will this system provide the capability to monitor individuals or groups? If yes, describe the business purpose for this capability and the controls established to prevent unauthorized monitoring.

No. This system does not provide the capability to monitor individuals or groups.

17. Can use of the system allow IRS to treat taxpayers, employees, or others, differently?

No. The system exists for the purpose of posting taxpayer payments to their respective accounts as quickly and as accurately as possible, and for administering FTD coupons as quickly and as accurate as possible.

The FTD system does not process employee data, nor does it apply to the treatment of employees.

18. Does the system ensure "due process" by allowing affected parties to respond to any negative determination, prior to final action?

Yes. The taxpayer must inquire of their commercial bank for proof of their payment. The commercial bank will pass the information on to the Federal Reserve Bank (FRB) of St. Louis, and the FRB will send a "Request for Reversal Action" to the IRS campus that originally processed the payment. If warranted, the correction will be made manually by an FTD technician, and a Deposit Ticket or Debit Voucher will be provided to the FRB for confirmation.

19. If the system is web-based, does it use persistent cookies or other tracking devices to identify web visitors?

Not applicable. This system is not web-based.

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